



Lieutenant Governor Sean Parnell

November 28, 2008

Harry T. Crawford, Jr.
4350 Butte Circle
Anchorage, AK 99504

Re: 08GRTI, Gas Reserves Tax

Dear Mr. Crawford:

I have completed my review of your initiative application entitled "*An Act levying a tax on certain gas reserves; providing for a conditional repeal of the tax on certain gas reserves; relating to a credit against the oil and gas production tax attributable to the production of gas; relating to expenses that are not lease expenditures for the purpose of the oil and gas production tax; and providing for an effective date.*" I forwarded the application to the Division of Elections for verification of signatures and to the Department of Law for legal review. After considering recommendations from these agencies, I have determined that the application for 08GRTI meets the requirements for certification.

The Division of Elections determined that 126 of the 129 signatures submitted were those of qualified voters. Therefore, the application has sufficient number of sponsors to qualify for circulation of a petition under AS 15.45.030. The petition statistics report prepared by the Division of Elections is enclosed.

The Department of Law found that the application complies with the constitutional and statutory provisions governing the use of the initiative, and therefore recommends that I certify the application. Further, the Department "noted numerous ambiguities in the measure [that] are not a bar to...certification of the initiative application." A copy of the Department of Law opinion regarding the application is also enclosed.

The ambiguities noted by the Department of Law and the potential difficulties in the bill's implementation are concerning. However, this pre-election review examines whether the bill is clearly unconstitutional based on the prohibited subjects listed in Article XI, Section 7 of the Alaska Constitution. Therefore, I hereby certify your initiative application under Article XI of the Alaska Constitution and under the provisions of AS 15.45. I further certify that the proposed bill to be initiated is in the required form, that the application is substantially in the required form, and that there are a sufficient number of qualified sponsors. Your official certificate is enclosed.

In accordance with AS 15.45.090(a)(2), it is my duty to prepare an impartial summary for the petition booklets. The following is the petition summary I have prepared:

Taxation of Gas Reserves

This initiative would impose a new state tax on large deposits of natural gas until the first flow of gas in a major new gas pipeline system. The tax would be three cents a year per thousand

cubic feet of taxable gas in the ground. "Taxable gas" is gas within a lease or property in a unit that contains one trillion cubic feet of gas or more. The gas is taxable if the lease or property has been in existence since January 1, 1990. Some forms of gas are exempt from the tax. Gas that will be consumed as fuel where it is located, within seven years after January 1 of the tax year is exempt. Gas first discovered after December 31, 2005, is exempt. Gas on the North Slope belonging to a person who has committed to shipping the gas under an AGIA or similar pipeline project or in a small pipeline is also exempt. State agencies would set the taxable volume of gas. Taxpayers would have to file returns showing the location and volume of taxable gas. The state would adopt rules on tax returns and payment. Taxpayers who dispute taxes owed would have to deposit the amount of taxes levied into an escrow account. A lessee may surrender a lease to the state to avoid taxes under this Act. If and when taxable gas is produced and transported in a major gas pipeline system, the gas tax would be repealed.

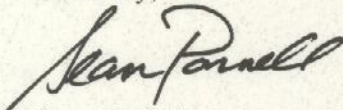
Should this initiative become law?

The Division of Elections will prepare and print petition booklets to allow full circulation throughout the state. Each petition will contain (1) a copy of the proposed bill; (2) an impartial summary of the subject matter of the bill; (3) a statement of minimum costs to the state associated with certification of the initiative application and review of the initiative petition; (4) an estimate of the cost to the state of implementing the proposed law; (5) the statement of warning prescribed in AS 15.45.100; (6) sufficient space for the personal information and signatures of each person signing the petition; and (7) other specifications ensure proper handling and control. As soon as the booklets are available, they will be delivered to the Division's regional office of your choice. You will also be provided with instructions and training for booklet distribution and accounting. These instructions must be followed.

The initiative petition must be filed within one year from the date notice is given that the petition booklets are ready for delivery. The petition must be signed by qualified voters numbering at least 10 percent of those who voted in the last general election, who are resident in at least three-fourths of the House districts of the State, and who are equal in number to at least seven percent of those who voted in the preceding general election in those House districts. The 2008 General Election will be certified by the Division of Elections in the near future, and they will inform you of the exact signature requirements.

If you have questions or comments about the ongoing initiative process, please contact my office at any time.

Sincerely,



Sean Parnell
Lieutenant Governor

Enclosures

cc: Talis Colberg, Attorney General
Gail Fenumiai, Director of Elections

STATE OF ALASKA
LIEUTENANT GOVERNOR
ANCHORAGE

CERTIFICATE


I, SEAN PARNELL, LIEUTENANT GOVERNOR FOR THE STATE OF ALASKA, DO HEREBY CERTIFY, under the provisions of Article XI of the Constitution of the State of Alaska and under the provisions of AS 15.45, the initiative application for “*An Act levying a tax on certain gas reserves; providing for a conditional repeal of the tax on certain gas reserves; relating to a credit against the oil and gas production tax attributable to the production of gas; relating to expenses that are not lease expenditures for the purpose of the oil and gas production tax; and providing for an effective date,*” which was received on September 30, 2008 and known as 08GRTI.”

I FURTHER CERTIFY that the proposed bill to be initiated is in the required form, that the application is substantially in the required form, and that there is a sufficient number of qualified sponsors.



IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed hereto the Seal of the State of Alaska, at Anchorage, Alaska.

DATED this 28th day of November, 2008.


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LIEUTENANT GOVERNOR